



County of Fairfax, Virginia

Supervisor Pat Herrity

Board Matter

March 9, 2010

Increasing Access to Capital for Our Small Businesses

Background: Small businesses are the backbone of our economy. They account for more than half of non-farm private GDP, employ just over half of all private sector workers and represent 99.7% of all employer firms¹. Small businesses have also been the main job creators in our economy over the last 15 years. From 1993 to 2008 small businesses accounted for 64 percent of the 22.5 million net new jobs created in the United States².

For small businesses to continue to grow they need access to capital. Since the recession began that access has reduced dramatically. According to the U.S. Treasury Department, the country's largest banks reduced their collective small business lending balance by \$1 billion in November 2009³. While large financial institutions have reined in their lending to small businesses, community banks have not. As of January 2009, community banks made 20% of all small-business loans, even though they represent only about 12% of all bank assets. In addition, community banks make about 50% of all small business loans under \$100,000⁴.

Our community banks play a major role in helping Northern Virginia small businesses grow and we as a Board have the ability to aid their efforts. One way we can do so is by moving a portion of the county's general fund account, currently held by a large national financial institution, into some of our community banks. This would increase the amount of assets held by our community banks thereby increasing their ability to lend to Northern Virginia small businesses. Having greater access to capital would increase growth opportunities for our small businesses which will lead to the creation of new jobs in our community.

Arlington County Treasurer, Frank O'Leary, has made this a priority in his jurisdiction. Under his leadership, Arlington has put millions of taxpayer dollars into community banks such as Burke & Herbert, Virginia Commerce Bank and Chain Bridge Bank which provide loans to local small businesses.

Motion: Therefore, Madame Chairwoman, I move that we direct the County Executive to examine the feasibility of moving a portion of the county's general fund account into some of our community banks and to report back the Board by the April 6th Board Meeting.

¹ <http://www.sba.gov/advo/stats/sbfaq.pdf>

² <http://www.sba.gov/advo/stats/sbfaq.pdf>

³ http://money.cnn.com/2010/01/18/smallbusiness/small_business_lending_drop/index.htm

⁴ http://www.businessweek.com/smallbiz/content/jan2009/sb20090127_581741.htm

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